

Understanding TSP Nonpay Status Rules

TOPIC	What you need to know . . .	
	If you are in nonpay status for reasons other than military service	If you are nonpay status to perform military service
Effect of Length of Nonpay Status on TSP Loans	You are allowed to miss loan payments for up to one year if you are in nonpay status.	You are allowed to miss loan payments throughout the entire time you are in nonpay status if the nonpay status is due to military service.
Accrual of Interest	Interest continues to accrue on your loan during the nonpay period.	Interest continues to accrue on your loan during the nonpay period.
Making Loan Payments	Payments are not required during a nonpay period of less than one year. If you want to make loan payments, use a Loan Payment Coupon and send payments directly to the TSP.	Payments are not required during a nonpay period. If you want to make loan payments, use a Loan Payment Coupon and send payments directly to the TSP.
Recalculating Your Loan (i.e., reamortizing your loan)	If your loan is not up to date, the TSP will recalculate your loan when you return to pay status or following the expiration of your one-year time limit, whichever comes first.	If your loan is not up to date, the TSP will recalculate your loan when you return to pay status. The maximum time allowed to pay off your loan will be extended by your period of military service.
Effect of Recalculation on Your Loan Payments	If it is determined that your current loan payments will not pay off your loan by the maximum repayment period, your loan payments will increase and you will be notified of the new payment amount.	If it is determined that your current loan payments will not pay off your loan by the revised maximum repayment period, your loan payments will increase and you will be notified of the new payment amount.
Resuming Loan Payments	If loan payments do not resume through payroll deductions when you return to pay status or after a reamortization following the one-year limit, you must submit payments (along with Loan Payment Coupons) yourself to keep your loan from going into default.	If loan payments do not resume through payroll deductions when you return to pay status and your loan has been reamortized, you must submit payments (along with Loan Payment Coupons) yourself to keep your loan from going into default.
Defaulting on a Loan	If you miss payments after you return to pay status or your loan has been reamortized and you default on your loan, a taxable distribution will be declared and you will be subject to tax on the outstanding loan balance (including any accrued interest). You may also be subject to an early withdrawal penalty tax.	If you miss payments after you return to pay status and you default on your loan, a taxable distribution will be declared and you will be subject to tax on the outstanding loan balance (including any accrued interest). You may also be subject to an early withdrawal penalty tax.
Returning to Pay Status	You or your agency must notify the TSP when you return to pay status and provide the ending date of your nonpay status. (See fact sheet Effect of Nonpay Status on TSP Participation for documentation requirements.)	You or your agency must notify the TSP when you return to pay status and provide documentation with the beginning and ending dates of your military service.